

**MINUTES  
OF THE SPECIAL MEETING OF THE  
PARK BOARD  
HELD AT CITY HALL  
JANUARY 23, 2012  
7:00 PM**

***I. CALL TO ORDER***

Chair Hulbert called the meeting to order at 7:03 pm

***II. ROLL CALL***

Answering roll call were Members Peterson, Deeds, Hulbert, Fronek, Segreto, Jones

***III. APPROVAL OF MEETING AGENDA***

**Member Peterson made a motion, seconded by Member Fronek, approving the meeting agenda.**

Ayes: Peterson, Deeds, Hulbert, Fronek, Segreto, Jones

Motion carried.

***IV. COMMUNITY COMMENT***

None

***V. REPORTS/RECOMMENDATIONS***

***VI.A. Horner's Nest at Braemar Arena Proposal***

Eric Anderson, 6501 Indian Hills Road, introduced the following board members from the "Drive for the Hive – The Horner's Nest " that were present: Marty Nanne, Greg Dornbach, John Foust, Bill Brauer, Steve Brown and Lenore Everson. He gave a presentation to the Park Board and presented a proposal to build a two-story building addition just to the North of Braemar West Arena. The building would include permanent locker room facilities for both Boys and Girls Varsity and Junior Varsity hockey teams as well as it would include a space for a training facility, a pro shop retail store, and a quick serve restaurant.

Member Peterson asked if there was anything they wanted to add but didn't because of expenses. Mr. Anderson replied in terms of the locker rooms and training facility he would say no.

Member Deeds stated that he appreciates the board's community spirit in willing to try to get something done. He indicated that he is from San Diego where hockey is not as big and he sees hockey as any other High School sport. He noted this is a School District activity and asked where the School District is in this. Mr. Anderson replied the way he thinks the School District would answer that is in times like we have right now certainly communities need to try to figure out ways to collaboratively put some things together. He noted that they have talked to the School Board and they are in full support of the project, they just don't have the money to contribute. He explained that is how and why they, as community members, are trying to come up with private donations and include private business leases in the project to help pay the capital debt.

Member Deeds asked just to be clear on the details the basic deal is a \$1,000,000 contribution from a 501C3 and the City puts up \$3,000,000, the land and bears the risk. In addition, if there are any shortfalls it will be made up out of City funds. Mr. Anderson replied they are trying to put together a \$1,000,000 private contribution and are asking the City to provide a \$3,000,000 bond and that the land be donated as well. Member Deeds asked but it will become part of the overall operating costs. For example, if the retail space only rents for half of what you expect the shortfall falls on the Parks and

Recreation Department budget and becomes part of the overall operating costs of Braemar. Mr. Anderson replied that he thinks what they are going to find is that they are going to have to get the leases done prior to getting the funds so they don't have those kind of shortfalls. However, at the end of the day, the City does have some risk.

Member Deeds indicated they were shown a lot of community School District based facilities. He asked is it tradition that cities buy hockey facilities for the High Schools or did those come from the School Districts. Mr. Anderson replied he is not an expert on all of the facilities that are out there. However, if you go to all of the communities that are around by and large a lot of those were done by the cities themselves. Mr. Anderson pointed out that what they are looking at here is a partnership of public and private so it is a little bit different than what has been done in the past. Member Deeds stated as this moves forward he would like to try to get an understanding on what the tradition is in all of this.

Member Deeds asked as far as the 501C3 is concerned is it set up and does it have commitments at this point. Mr. Anderson replied they've established "Drive for the Hive", which is a 501C3 and they do not have commitments in a bank account; however, they have had verbal commitments from several donors that total approximately \$275,000 out of the million dollars that they intend to raise.

Member Jones stated that given the City's widespread participation and proven excellence in hockey and the City stated goal of offering premier parks and recreational facilities she is extremely interested in carefully examining the proposal. She wants to first show her appreciation to the entire group that has brought this proposal forward in a time where the City is contending with serious budgetary constraints and reductions it is both inspiring and helpful to have people willing to give their time, talents and money to make Edina a better place. Member Jones indicated our goals are stated in the Comprehensive Plan Chapter 9, page 45. They are:

1. For each of Edina's enterprise facilities, provide recreational opportunities that are accessible and affordable to primarily, but not exclusively, Edina residents and yet remain competitively priced in the Twin Cities area.
2. Provide fee-based revenue generating recreation enterprise facilities that collectively cover all facility and program expenses, including capital improvements, land purchase and all operating expenses."

She indicated that last year Braemar Arena had revenues of \$1,349,000 and expenses of \$1,654,000 therefore operating at a loss of \$306,000 to which the cost recovery was 82% of its operating budget. She pointed out that City expenditures going to the arena also include capital improvement plan projects funded by the City's construction fund. Also plan projects already approved in the five year plan average \$138,000 a year for the next five years. Additionally, the arena carries a debt of \$3,471,000 with 20 years left on that debt and the arena currently makes an annual debt payment of about \$173,000. She pointed out that given all of these current budget items if this year is similar to last year the arena will cost the City approximately \$617,000 more than it brings in. This is nowhere near the financial goals set forth in the comprehensive plan. She stated that she wants to be clear that she does not think that the arena itself needs to recover 100% of its operating costs but the current flow of the City money to skaters past, present and future of the arena is not justifiable. She indicated that she must consider this proposal as it integrates into the bigger question, how can Edina maintain and update Braemar Arena to meet the premier standards that Edina residents expect while being financial responsible.

Member Jones indicated that she agrees the locker rooms are outdated, undersized and quite honestly disgraceful. She asked Mr. Anderson if they have considered remodeling that end of the arena so that the remodel project would include improvements to the arena. Mr. Anderson replied they did but discovered the cost would exceed what the cost of a new facility would be.

Mr. Anderson informed the Park Board that one of the things they think the project will be able to do is generate increased revenue for Braemar Arena. Susie Miller, Manager of Braemar Arena, explained where they foresee generating additional revenue is during the offseason. Currently Edina residents are traveling to neighboring communities because they are able to get dry land training and ice time in one area. Chair Hulbert commented that last year they missed out on a hockey camp and asked how big the camp was. Ms. Miller replied it was approximately \$23,000 in revenue but it was a hockey camp that also wanted access to dry land training. Chair Hulbert asked are there other people that run camps that would want to run their camps at Braemar or would we be running camps of our own. Ms. Miller replied Braemar would lease the area to someone that is highly respected within the hockey community and where they would see the benefit is with the ice sales and possibly concessions, things like that. Mr. Anderson added that some of the potential lessees will be folks like VeloCity Ice Center in Eden Prairie, who run a training facility, as well as AAA hockey teams. He noted that AAA hockey teams play all summer long and what they want is to be able to have an ice sheet and a training facility under one roof.

Member Fronek asked say the “Drive for the Hive” raises the money and the structure is built would it be run by the City or what kind of management structure are they looking at. Ms. Miller responded that they would manage the lease but that the lessee would run the dry land training component. Mr. Anderson explained if they were to lease it out to someone like VeloCity they would be signing a triple net lease which means they are not only going to be responsible for the base rent but they would be responsible for their pro rata share of the operating expenses as well as any taxes that may be associated with it. He pointed out from an expense perspective the City would get back approximately 98% to 99% of what the expenses are associated with those tenants.

Member Fronek asked how they envision access for the High School teams. Mr. Anderson replied the High School teams will have access to lower level locker rooms and will be a paying tenant just like everyone else on the upper level. He explained that is what the private donation is about. Also, the operating expenses that are associated with that would be made up through the cash flow projections and that money would go back to contribute to the ongoing operating expenses. Member Fronek stated obviously there would be some sort of priority access for the High School teams to which Mr. Anderson replied yes.

Chair Hulbert asked; “What is a quick serve restaurant?” Mr. Anderson explained a good example would be a “Noodles and Company”. It’s not a white linen sit down restaurant but it’s not a McDonalds either. Chair Hulbert asked if there would be wine or beer. Mr. Anderson replied being that it is a collaborative process they would need to work through that. He stated they could then charge more rent for it but he also understands in the City of Edina there are certain rules and regulations.

Chair Hulbert asked how the project compares to the other schools that have locker rooms and training facilities. Mr. Anderson responded he would say it’s comparable to what Minnetonka has in terms of size; it’s four locker rooms with a training facility above and has a little bit of retail. Chair Hulbert asked do they run their own dry land and training facility or do they use a third party. Mr. Anderson replied he does not know the answer to that. Chair Hulbert commented that he did go and look at the locker rooms and they almost look like they should be condemned, some of them are pretty bad.

Chair Hulbert commented that one of the beauties of Braemar Ice Arena is when you go in the front door you have immediate access to the three ice arenas and the concession stand, it flows very well. He indicated that he was wondering, like Member Jones stated, that the community’s appetite might be greater for this project if you put it on the south end of the west arena even if the cost was greater. He noted you could renovate the old locker rooms that are down there and still have the grand entrance. Mr. Anderson replied that as a board they are open to working through a collaborative process to try and figure out the best way to do it. He added if they go through the collaborative process and find out that

it's economical to put locker rooms down in that area then it would be something they would explore. He noted they are happy to explore what those alternatives are and be as open as they can in terms of this is exactly what we see and why we see it that way. Mr. Anderson pointed out that he will tell you a retailer would be very averse to going inside the lobby of Braemar Arena because there is no visibility there. Where it is located on the drawing there is visibility from Highway 169 and noted that it could also serve the people who play at those baseball and soccer fields.

Member Deeds indicated on the number side of things it's nicely formatted and it put together well but it's a trust statement. There is no documentation to back up any of it. He asked if the furnishings, fixtures, weight training facility, etc., were covered in the \$125.00. Mr. Anderson replied yes, those items are included in the \$125.00 per square foot. He commented that they do have a line item break down done by Kraus Anderson which he would be happy to share. He explained as far as the weight training facility they would essentially be providing a shell. The lessee would be signing a ten year triple net lease in which they would be responsible for bringing in their own weight equipment.

Member Deeds commented on the revenue estimate side of things they don't appear overly conservative. He stated in going forward he would encourage the board to take things apart, he likes to see ranges. Show a best case and a worst case expected kind of thing that begins to explain the assumptions underneath it, what is the potential shortfall because if it comes up short the City is on the hook. He added if you were going anywhere near a bank for a loan this isn't going to cut it. Mr. Anderson replied without a question a bank would be asking them for a lot of different things and he would expect that.

Member Deeds asked what is the board looking for that moves this forward. Mr. Anderson replied it's a collaborative process and this board has spent the last 14 to 18 months to get to this point. He noted they are certainly willing to roll up their sleeves and work where they need to work so the question would be what does the Park Board need from them in order to move forward. Member Deeds replied to be completely honest a conversation with the School District. He stated he recognizes the need but the question is, is this solely the City's responsibility. He noted that he thinks it's fantastic what the board is doing but the School District is facing the exact same economic situation that the City is facing. The School District has the exact same challenges and economic environment as the City and therefore before they move too much forward he would like to know that the School District has to say in all of this. He added that at the end of the day this is a School District program, it's not a City program. Member Deeds pointed out that he understands the City owns Braemar Arena and they may need to upgrade it but he would encourage the board to beat on the School District a little bit because it's their responsibility at least as much as it is the City's. Mr. Anderson replied they have had meetings with the School Board and will continue to have meetings with them. He noted they would also be happy to attend any joint meetings between the City and the School Board to try and work through to a resolution.

Mr. Brown indicated they have had conversations with the School Board and they are in support of the project. He noted this is a unique situation whereby the \$1,000,000 kind of takes over that High School component and funds it. He stated they understand this is not the City's obligation, it's the schools. He explained that people who were supportive of the program are coming forward with cash saying they want to help compensate for it because it's not part of the City's obligation. He added that this is not only going to benefit the High School but the Edina Hockey Association as well as others. The \$1,000,000 component is a unique structure that says we know it's not the City's obligation but we need you to help us finance it and we are trying to mitigate the risk.

Member Jones stated that she needs to clarify if there are restrictions on donations that you are placing on your contribution. She noted when you are talking about these locker rooms that have designations for varsity and junior varsity there is no lease to the locker room space and therefore she would like to know if you are thinking that is the condition of your donation. Mr. Anderson replied that is correct

because there is no lease that goes with the locker rooms right now. He noted that is in large a part of what the donations are there to do is to supplement that and that is the reason they are trying to move forward with this.

Member Deeds stated that in terms of the donation the High School will be getting four locker rooms for the \$1,000,000 donation from the fund and you are going to have those doctrines in perpetuity and in exchange, the City gets the square space above the locker rooms for lease. Mr. Anderson replied that is correct.

Member Jones asked how the high school players will access the other two non-adjacent rinks?" Mr. Anderson replied through a tunnel system and projected a diagram of a path running from the proposed new building along the outer east side of the West rink. Member Jones asked if construction costs for this tunnel were included in the construction costs included in the packet. Mr. Anderson replied yes they were included.

Member Jones asked if the large hallway running north to south along the proposed new building was designed especially wide so that it would accommodate a Zamboni to exit the stadium and an ambulance to enter the stadium. Mr. Anderson replied yes, that the interior hall will be wide enough to allow an ambulance and the Zamboni to travel past the locker room entrances and access the rink.

Member Jones pointed out that she believes only 75% of Edina residents live within the Edina School District. Therefore she believes 25% of people who pay taxes in Edina are supporting a rink that will now have designated locker space to which their children will not be eligible. She stated she just want to mention that as a potential wrinkle.

Mr. Anderson informed the Park Board that at the moment the EHA is short on ice during the winter season and they are renting ice at a number of arenas around the Twin Cities. He noted when they first approached the EHA to see if they would be interested in renting the facility they said yes. EHA also stated that they would be interested in providing a portion of the fees that are paid to EHA to go toward the training facility. He explained what they are concerned about on the onset was if they are asking people to do that it's going to be an additional amount on top of what they are already paying and hockey is an expensive sport. He pointed out what they did discover that instead of driving to arenas all over the Twin Cities that they could put those funds into the training facility. He stated that he thinks that commitment comes out to a little over \$100,000 from the EHA. He added that commitment in and of itself will go a long way towards paying the rent that they are projecting for the upper floor of the facility.

Member Deeds asked Ms. Miller if she could attempt to quantify what the impact of the offseason utilization might look like and how that would impact the finances of Braemar Arena. Ms. Miller replied that she will happy to do the research.

Member Fronek asked Mr. Keprios and Ms. Miller for their perspective on the project as well as give a little background on the financing of the gyms at South View because that project was combined with the City and School. Mr. Keprios explained that those two gymnasiums were paid 100% by the City of Edina to cover all construction costs. He noted that they do have a Facility Use Agreement with the School District that has a life of 30 years. He explained that the agreement states that the City will pay all operating expenses and capital improvements to the School District and in return the school will operate and manage the two gyms. He noted that when the School District uses those gyms they do pay a fee to rent them and what they do is take that amount off the top of the operating expenses.

Mr. Keprios informed the Park Board that from a staff perspective this is a request he has heard since he started working for the City of Edina over 30 years ago. He noted they have been trying hard to find a way to get it done but it always seems to fall apart when the School District is asked to pay for any of it. He stated from a staff perspective there are some really great positive things here. He noted that staff will do their job and do the research requested by Park Board. Also staff will find out how other communities have financed their locker rooms. He noted that he believes Mr. Anderson and his team will provide a breakdown of the square footage costs as well as give a little more detail on who is actually going to sign a ten year lease and what is the potential shortfall. Mr. Keprios stated staff will chase all of the information the Park Board would like them to and that they as staff are supportive of the project and the concept and hopefully together we will be able to find a way to get it done. Member Deeds asked Mr. Anderson if he could get some written letters of commitment regarding the \$1,000,000. He knows you have verbal commitments but would like to see something in writing. Mr. Anderson replied he can do that.

Member Jones noted she was wondering if they lease this out to other teams during the summer are the locker rooms designated for the High School players all year long or are they left idle during the off season. Mr. Anderson replied that is something they will have to study and look at as they move forward. He added that he is not sure what benefit it provides because there are a number of locker rooms for each of the rinks that is sufficient for use throughout the summer, but is something they can explore.

Member Jones asked where is the facilities inventory at with the arena, what are the potential needs even going out further than five years. Mr. Keprios replied that to best answer that question he would like to take time to visit with his staff first because he doesn't have all of the answers here tonight. He indicated as the Park Board knows, they just invested an additional \$2.2 million into the West Arena that was planned approximately 15 years ago. He noted that they need to get an analysis of the East and South Arenas and when those will be due to get done.

Chair Hulbert commented there is a lot to get excited about looking at this; however, he thinks it would be mutually beneficial to get more information put together.

Mr. Keprios suggested that staff assemble the notes from this meeting and put it on the February agenda. He noted that hopefully there will be a quorum at that meeting where they can take formal action and forward it on to the City Council. He stated that a lot of excellent questions have been asked and they will do their best to get them answered. Mr. Anderson commented that he agrees with Mr. Keprios and they hope to answer all of the Park Board's questions as best they can.

Meeting adjourned at 8:23 pm.